

Message Text

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PAGE 01 STOCKH 02457 221237Z
ACTION EUR-12

INFO OCT-01 ARA-10 ISO-00 CCO-00 CIAE-00 OTPE-00 EB-08
FCC-01 INR-10 NSAE-00 OC-06 ICA-11 COME-00 BIB-01
DODE-00 PM-05 H-01 L-03 NSC-05 PA-01 SP-02 SS-15
OES-07 AGRE-00 AID-05 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 STR-07 CEA-01 /126 W
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R 221136Z JUN 78
FM AMEMBASSY STOCKHOLM
TO AMEMBASSY BRASILIA
INFO SECSTATE WASHDC 4098
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE STOCKHOLM 2457

E.O. 11652: N/A
TAGS: EIND, EINV, ETEL, SW, BR, ETRD
SUBJECT: SWEDISH MINISTER OF COMMERCE VISIT TO BRAZIL

REF: BRASILIA 4695

1. MFA OFFICIAL WHO ACCOMPANIED SWEDISH MINISTER OF COMMERCE
STAFFAN BURENSTAM LINDER ON HIS RECENT VISIT TO BRAZIL TOLD AN
EMBASSY OFFICER THAT THE SWEDES ARE RATHER CONFIDENT THEY CAN
WIN THE BID FOR A LARGE TELECOMMUNICATIONS CONTRACT IN BRAZIL.
THE SWEDISH COMPANY INVOLVED--L M ERICSSON--HAS HAD CONSIDERABLE
SUCCESS THIS YEAR IN SELLING ITS NEW AXE SYSTEM. ERICSSON IS
IN COMPETITION WITH ITT AND NIPPON ELECTRIC FOR THE BRAZILIAN
CONTRACT. THE BRAZILIANS HAVE SAID THEY WILL GIVE MORE
FAVORABLE CONSIDERATION TO FOREIGN BIDDERS WHO ACCEPT THAT
THEIR BRAZILIAN SUBSIDIARIES BE NATIONALIZED. APPARENTLY
NIPPON ELECTRIC AGREED TO NATIONALIZATION WHICH THEN PUT
PRESSURE ON THE OTHER BIDDERS. L M ERICSSON HAS BEEN ASKED
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TO TURN OVER 92 PERCENT OF ITS SHARES TO THE BRAZILIANS.
THE MFA OFFICIAL SAID, HOWEVER, THAT THE GOS MAY HAVE
FOUND A "INGENIOUS SOLUTION." THE SHARES IN THE
ERICSSON SUBSIDIARY WOULD BE HELD BY A SAO PAULO IN-
SURANCE COMPANY WHICH IN TURN HAS A LARGE BLOCK OF STOCK
HELD BY SCANDIA, SWEDEN'S MAJOR INSURANCE COMPANY.
THUS, SWEDISH INTERESTS MIGHT BE BETTER GUARDED EVEN

THOUGH MOST OF THE ERICSSON SUBSIDIARIES' SHARES
ARE TURNED OVER TO THE BRAZILIANS.

2. THE OFFICIAL SAID HIS GOVERNMENT WAS VERY PLEASED
WITH THE TREATMENT ACCORDED BURENSTAM LINDER, INCLUDING
MEETINGS WITH FIVE BRAZILIAN MINISTERS, AND THE UN-
EXPECTED APPEARANCE OF THE BRAZILIAN FOREIGN MINISTER
AT A STATE LUNCHEON. THE OFFICIAL
ALSO CONFIRMED THE CONCERNS WHICH BURENSTAM
LINDER HAD EXPRESSED IN A WIDE-RANGING INTERVIEW WITH
AN ACCOMPANYING SWEDISH JOURNALIST OF DAGENS INDUSTRI,
ONE OF SWEDEN'S BUSINESS NEWSPAPERS. NOT ONLY
WILL BRAZILIAN IRON ORE INCREASINGLY CUT INTO SWEDISH
MARKETS BUT THE PROSPECTS OF BRAZILIAN PULP IN THE '80S
TAKING MARKETS AWAY FROM SWEDEN ARE STRONG.

3. ANOTHER MAJOR PROJECT WITH IMMEDIATE INTEREST FOR
SWEDEN IS THE ITAIPU HYDROELECTRIC PROJECT IN SOUTHERN
BRAZIL, FOR WHICH BIDS WILL BE LET NEXT FALL. SWEDEN'S
MAJOR ELECTRIC EQUIPMENT COMPANY, ASEA, IS HOPEFUL OF OBTAINING
A MAJOR PORTION OF THE BIDS.

KENNEDY-MINOTT

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